

**M e m o r a n d u m**

**To** : Mr. Ramon J. Hirsig  
Executive Director

**Date** : September 6, 2005

**From** : David J. Gau, Deputy Director  
Property and Special Taxes Department

**Subject** : **2006 Diesel Fuel Tax Rate for Interstate Users**  
(September 20, 2005 Administrative Consent Agenda)

Beginning January 1, 1998, and on each January 1 thereafter, sections 60115 and 60116 of the Revenue and Taxation Code provide that a (two-component) diesel fuel tax shall be established by the Board. (A history of the rate since its inception is attached.) This tax is imposed on all interstate users for the privilege of using diesel fuel purchased without California sales tax to propel a qualified motor vehicle in California.

The first component of the tax is \$0.18 per gallon (§60050). The second component (§60116) is a cents per gallon component equivalent to the sales tax on the average selling price of diesel fuel purchased in California during the prior twelve-month period ending August 31. I recommend the adoption of a diesel fuel tax rate of \$0.330 per gallon for calendar year 2006. The rate was developed as follows:

\$ 2.407	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/2/04 through 8/25/05.
- 0.180	State excise tax.
2.227	Average price per gallon excluding state excise tax.
- 0.163	Sales tax amount included in average price per gallon (\$2.227/1.079% = \$2.064. \$2.227 - \$2.064 = \$0.163).
2.064	Average price per gallon excluding state excise tax and sales tax.
x .0725	Combined state and local sales tax rate.
.150	Second component of the interstate users' tax on diesel fuel.
+ .180	First component of the interstate users' tax on diesel fuel.
<u>\$ 0.330</u>	Recommended diesel fuel tax rate rounded to the nearest tenth of a cent.

Please place this item on the Board's September 20, 2005 Administrative Consent Calendar for approval.

DJG:kn  
Attachment

cc: Ms. Deborah Pellegrini  
Mr. Edward W. King

Approved: \_\_\_\_\_

Ramon J. Hirsig, Executive Director

BOARD APPROVED

at the \_\_\_\_\_ Board Meeting

\_\_\_\_\_  
Deborah Pellegrini, Chief  
Board Proceedings Division

## INTERSTATE USERS' TAX ON DIESEL FUEL HISTORY

<u>Calendar Year</u>	<u>Rate/Gal</u>
1998	\$0.251
1999	\$0.250
2000	\$0.271
2001	\$0.282
2002	\$0.263
2003	\$0.278
2005	\$0.295
2006 (Proposed)	\$0.330